

## Message Text

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72

ORIGIN EUR-25

INFO OCT-01 ADP-00 L-03 EB-11 TRSE-00 OMB-01 SS-15 NSC-10

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DRAFTED BY EUR/ EE HEWILGIS: DK

X 21739 6/20/73

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L/ C - FAKWIATEK ( DRAFT)

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TREASURY - FAC: SSOMMERFIELD ( DRA)

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R 202142 Z JUN 73

FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST

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E. O. 11652: N/ A

TAGS: EFIN, HU

SUBJECT: CLAIMS AGREEMENT

REF: BUDAPEST A-40 OF MAY 17, 1973

1. THE US GOVERNMENT IS NOT ABLE TO RESPOND POSITIVELY TO THE REQUEST CONTAINED IN THE GOH NOTE 2687-3/1973 FOR INFORMATION CONCERNING HUNGARIAN BLOCKED ACCOUNTS BECAUSE WE DO NOT HAVE THE INFORMATION THE GOH REQUESTS. ( FYI - IF WE DID HAVE THE INFORMATION, WE WOULD NOT WISH TO PROVIDE IT BECAUSE IT IS US POLICY TO LEAVE PRIVATE FUNDS SUCH AS THESE ACCOUNTS UNDER CONTROL OF THE OWNERS AND NOT TO PROVIDE INFORMATION TO FOREIGN GOVERNMENTS ON INDIVIDUAL PRIVATE INVESTMENTS IN THE US. END FYI)

2. PARAGRAPH THREE OF THE GOH NOTE IS BASED ON A MIS-UNDERSTANDING OF THE APPLICATION OF ARTICLE 2, PARAGRAPH 2. THE LEAGUE OF NATIONS BONDS REFERRED TO IN THE NOTE WERE NOT SETTLED BY THE CLAIMS AGREEMENT.

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3. THE SUBSTANTIVE PORTION OF THE US REPLY TO THE GOH FOLLOWS: QUOTE THE GOVERNMENT OF THE UNITED STATES, PURSUANT TO ARTICLE 8 OF THE AGREEMENT REGARDING THE SETTLEMENT OF CLAIMS SIGNED IN WASHINGTON ON MARCH 6, 1973 RELEASED ALL CONTROLS OVER HUNGARIAN BLOCKED ACCOUNTS ON MARCH 27, WITHIN THE THIRTY DAYS PROVIDED FOR IN THE ARTICLE. THE ACTION WHICH REMOVED THESE CONTROLS WAS TAKEN BY THE TREASURY OF THE UNITED STATES AND WAS PUBLISHED IN THE FEDERAL REGISTER OF MARCH 27, 1973, AS AN AMENDMENT TO TITLE 31 OF THE CODE OF FEDERAL REGULATIONS; SUBTITLE B, CHAPTER V, PART 520, " FOREIGN FUNDS CONTROL REGULATIONS: UNBLOCKING OF HUNGARIAN PROPERTY." SECTION 520.101 OF THIS PART WAS AMENDED TO DELETE HUNGARY FROM THE LIST OF COUNTRIES WHOSE PROPERTIES ARE BLOCKED AND SECTION 520.103 WAS ADDED TO THIS PART TO PROVIDE FOR A GENERAL LICENSE REMOVING CONTROLS ON HUNGARIAN PROPERTY BLOCKED ON MARCH 13, 1941 OR LATER. HOWEVER, SINCE THE GOVERNMENT OF THE UNITED STATES DOES NOT HAVE A CURRENT REGISTRATION OF ALL THE ACCOUNTS WHICH HAVE BEEN BLOCKED, IT IS NOT IN A POSITION TO GIVE THE GOVERNMENT OF HUNGARY INFORMATION ABOUT THE OWNERS OF THESE ACCOUNTS AND THE AMOUNTS CONTAINED THEREIN. ALL FINANCIAL INSTITUTIONS WHICH MAY BE HOLDING SUCH ACCOUNTS WERE INFORMED OF THE ACTION OF THE UNITED STATES GOVERNMENT THROUGH THE GENERAL ANNOUNCEMENT PUBLISHED IN THE FEDERAL REGISTER. THESE INSTITUTIONS ARE IN THE PROCESS OF NOTIFYING THE OWNERS OF THE ACCOUNTS SO THAT THE MONEY HELD IN THEM CAN BE DISBURSED OR OTHERWISE DISPOSED OF IN THE SHORTEST POSSIBLE TIME IN ACCORDANCE WITH THE WISHES OF THE OWNERS OF THE ACCOUNTS.

4. ARTICLE 2, PARAGRAPH 2, OF THE AGREEMENT REFERS TO AWARDS MADE BY THE FOREIGN CLAIMS SETTLEMENT COMMISSION TO AMERICAN HOLDERS OF HUNGARIAN TREASURY BILLS. THESE AWARDS TOTALLED \$1,454,499. THE AMERICAN CLAIM FOR THESE AWARDS IS SETTLED BY VIRTUE OF THEIR INCLUSION IN THIS ARTICLE OF THE AGREEMENT. TWO OTHER CATEGORIES OF AWARDS MADE BY THE COMMISSION WHICH WERE MADE PURSUANT TO THE SAME LEGISLATIVE AUTHORITY FOR THE COMMISSION WERE NOT SETTLED BY THE AGREEMENT SINCE THEY HAVE BEEN OR ARE LIMITED OFFICIAL USE

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EXPECTED TO BE THE SUBJECT OF SEPARATE AGREEMENTS.

5. ONE OF THESE CATEGORIES WAS AWARDS MADE TO AMERICAN FINANCIAL INSTITUTIONS FOR DEFAULTED COMMERCIAL BANKING LOANS TO HUNGARIAN FINANCIAL INSTITUTIONS -- THE SO-CALLED " STANDSTILL DEBT" OF \$3,210,422. THIS CATEGORY OF AWARDS WAS SETTLED IN SEPARATE NEGOTIATIONS BETWEEN THE

GOVERNMENT OF HUNGARY AND THE STANDSTILL COMMITTEE.

6. THE OTHER CATEGORY WAS AWARDS MADE TO AMERICAN HOLDERS  
OF DEFAULTED KINGDOM HUNGARY BONDS. THESE AWARDS  
WHICH TOTALLED \$178,671 WERE MADE FOR INTEREST ON THESE

BONDS WHICH HAD BECOME DUE PRIOR TO SEPTEMBER 15, 1947.  
THEY WERE EXCLUDED FROM THE AGREEMENT BY VIRTUE OF THE  
EXCHANGE OF LETTERS ATTACHED TO THE AGREEMENT AS ANNEX E,  
WHICH PROVIDES FOR SETTLEMENT OF BONDED INDEBTEDNESS IN A  
SEPARATE AGREEMENT TO BE CONCLUDED BETWEEN THE GOVERNMENT  
OF HUNGARY AND REPRESENTATIVES OF THE AMERICAN BONDHOLDERS.  
IT WOULD BE INEQUITABLE TO INCLUDE IN THE AGREEMENT THE  
AWARD OF \$178,671 FOR INTEREST IN VIEW OF THE MUCH LARGER  
BONDED INDEBTEDNESS TO BE SETTLED IN A SEPARATE AGREEMENT  
AND THE NECESSITY FOR ALL AMERICAN HOLDERS OF THE SAME  
BOND ISSUE TO BE COMPENSATED EQUALLY. UNQUOTE.

7. THE EMBASSY IS AUTHORIZED TO REPLY TO THE HUNGARIAN  
NOTE AT ITS DISCRETION. ROGERS

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\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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